

*Excerpted from the March 3, 2006 CLTAC minutes approved at the June 9, 2006 meeting of the CLTAC:*

“Can a limited liability company (LLC) own a clinical lab?” Bea O’Keefe said LFS has been getting questions about LLC as owners of a lab. LFS is responsible for reviewing the ownership status of a laboratory applying for licensure, as its corporate status with the Secretary of State. If its corporate status is suspended, the lab license shall not be issued. The owners of a LLC have the liability protection of a corporation where members cannot be held personally liable for debts. But, whereas corporations can go on forever, an LLC is dissolved when a member dies or is bankrupt. Corporation law says an LLC cannot render professional services which are authorized by license, certificate or registration, and this includes doctors and healthcare professionals. Doctors cannot form an LLC and own a laboratory, but a non-physician LLC can own a lab or physicians in other business arrangements can own a lab.”

Addendum to the approved minutes: The Department has received questions regarding the persons/entities authorized to own a clinical laboratory. As such, the following clarification will be added to the approved minutes.

“California law prohibits the Department from issuing a license, certificate or registration to a LLC if the services provided are “professional services.” A recent California Attorney General opinion states: “A business that provides services requiring a license, certification, or registration pursuant to the Business and Professions Code may conduct its activities as a LLC if the services rendered require only a non-professional, occupational license.” Non-professional, occupational licenses would be services such as a vehicle salesperson’s license (87 Ops. Gen 109 (2004)). Accordingly, although a LLC can be issued a laboratory license or registration, those persons providing the professional services (i.e., a laboratory director) must be issued to that named individual.”

This shall be added as an addendum to the already-approved March 3, 2006 minutes of the CLTAC at the request of the California Medical Association.

Karen Nickel, Chief, Laboratory Field Services, December 1, 2006.